

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name VILLAGE OF APPLGATE	County SANILAC
Audit Date 3/31/05	Opinion Date 9/30/05	Date Accountant Report Submitted to State: 11/2/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

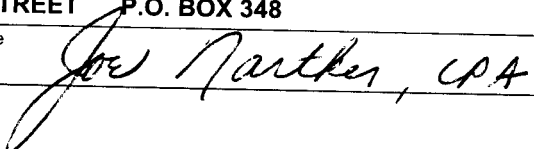
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) BRINING & NARTKER, P.C.			
Street Address 47 AUSTIN STREET P.O. BOX 348		City SANDUSKY	State MI
Accountant Signature 		ZIP 48471	Date 11/2/05

**VILLAGE OF APPLGATE, MICHIGAN
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BRINING & NARTKER, P.C.

Certified Public Accountants

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Members of
Michigan Association of
Certified Public Accountants
American Institute of
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Village of Applegate
Applegate, Michigan

Members of the Board:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Village of Applegate, Michigan, as of and for the year ended March 31, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Village of Applegate, Michigan. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Management has not prepared their discussion and analysis information for the Village of Applegate, Michigan. This discussion is required by U.S. generally accepted accounting principles as supplemental information.

In our opinion, except for the omission of management's discussion and analysis as discussed the previous paragraph, which results in an incomplete presentation, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Village of Applegate, Michigan, as of March 31, 2005, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 9, the Village has partially implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of April 1, 2004.

The budgetary comparison information on pages 18 through 22 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Applegate, Michigan's basic financial statements. The accompanying additional information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation the basis financial statements taken as a whole.

Brining & Nartker, P.C.

BRINING & NARTKER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

September 30, 2005

BASIC FINANCIAL STATEMENTS

**VILLAGE OF APPLGATE, MICHIGAN
STATEMENT OF NET ASSETS
MARCH 31, 2005**

**GOVERNMENTAL
ACTIVITIES**

ASSETS:

Current Assets:

Cash and cash equivalents (Note 1 and 4)	\$ 137,486
Investments (Note 1 and 4)	165,280
Accounts receivable - fire runs	5,000
Capital assets - net of accumulated depreciation	166,061

TOTAL ASSETS

473,827

LIABILITIES:

Current liabilities:

Accounts payable	35,536
Current maturities of long-term debt	9,317

Noncurrent liabilities:

Noncurrent portion of long-term debt	26,841
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TOTAL LIABILITIES

71,694

NET ASSETS:

Investment in capital fixed assets net of related debt	94,367
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Restricted for:

Streets	248,433
Unrestricted	59,333

TOTAL NET ASSETS

\$ 402,133

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF APPLGATE, MICHIGAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2005**

<u>FUNCTION/PROGRAM</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		<u>NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS</u>
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>GOVERNMENTAL ACTIVITIES</u>
Governmental Activities:				
General government	\$ 68,370	\$ 8,916	\$ -	\$ (59,454)
Public safety	42,806	29,850	30,568	17,612
Community hall	13,803	1,886	-	(11,917)
Street maintenance	18,528	-	-	(18,528)
Total Governmental Activities	<u>\$ 143,507</u>	<u>\$ 40,652</u>	<u>\$ 30,568</u>	<u>\$ (72,287)</u>
GENERAL REVENUES:				
Property taxes				34,845
Intergovernmental				
State				65,345
County				5,986
Interest				3,180
Other revenue				3,850
TOTAL GENERAL REVENUES				<u>113,206</u>
CHANGE IN NET ASSETS				<u>40,919</u>
NET ASSETS - BEGINNING OF YEAR (Note 2)				361,214
NET ASSETS - END OF YEAR				<u>\$ 402,133</u>

The accompanying notes are an integral part of the financial statement.

**VILLAGE OF APPLGATE, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2005**

	GENERAL FUND	MAJOR STREET FUND	LOCAL STREET FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and cash equivalent	\$ 54,317	\$ 50,314	\$ 32,855	\$ 137,486
Investments	-	103,910	61,370	165,280
Account receivable - fire runs	5,000	-	-	5,000
Due from other funds	16	-	-	16
TOTAL ASSETS	<u><u>\$ 59,333</u></u>	<u><u>\$ 154,224</u></u>	<u><u>\$ 94,225</u></u>	<u><u>\$ 307,782</u></u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 35,536	\$ -	\$ -	\$ 35,536
Due to other funds	-	8	8	16
TOTAL LIABILITIES	<u>35,536</u>	<u>8</u>	<u>8</u>	<u>35,552</u>
FUND BALANCE:				
Unreserved	19,032	154,216	94,217	267,465
Reserved	4,765	-	-	4,765
TOTAL FUND BALANCE	<u>23,797</u>	<u>154,216</u>	<u>94,217</u>	<u>272,230</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 59,333</u></u>	<u><u>\$ 154,224</u></u>	<u><u>\$ 94,225</u></u>	<u><u>\$ 307,782</u></u>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF APPLGATE, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2005**

	GENERAL FUND	MAJOR STREET FUND	LOCAL STREET FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
Taxes	\$ 34,845	\$ -	\$ -	\$ 34,845
Charges for servies	40,652	-	-	40,652
Intergovernmental	34,516	28,230	8,585	71,331
Interest	420	1,725	1,035	3,180
Other revenue:				
FEMA grant	30,568	-	-	30,568
Other	3,850	-	-	3,850
TOTAL REVENUES	<u>144,851</u>	<u>29,955</u>	<u>9,620</u>	<u>184,426</u>
EXPENDITURES:				
Current:				
General government	70,089	-	-	70,089
Public safety	21,708	-	-	21,708
Community hall	13,416	-	-	13,416
Streets	-	11,649	6,879	18,528
Capital outlay	68,226	-	-	68,226
Debt service	8,955	-	-	8,955
TOTAL EXPENDITURES	<u>182,394</u>	<u>11,649</u>	<u>6,879</u>	<u>200,922</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(37,543)</u>	<u>18,306</u>	<u>2,741</u>	<u>(16,496)</u>
FUND BALANCE - BEGINNING OF YEAR	61,340	135,910	91,476	288,726
FUND BALANCE - END OF YEAR	<u>\$ 23,797</u>	<u>\$ 154,216</u>	<u>\$ 94,217</u>	<u>\$ 272,230</u>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF APPELGATE, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Village Of Applegate conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Village.

Reporting Entity

The Village is located in Sanilac County, Michigan and operates under the council form of government and provides the following services; public safety (fire and police protection), highways and streets, public improvements, planning and zoning, and general administrative services. The Village offices are located at 2459 Sherman Street, Applegate Michigan.

Government-Wide and Fund Financial Statements:

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the Village. For the most part, the effect of the Interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

(Continued)

**VILLAGE OF APPELGATE, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005
(CONTINUED)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

The governmental fund financial statements consist of the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances. These financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Those revenues susceptible to accrual are licenses and interest. Revenue charges for services, fines, and permit revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for another fund.

The Major Street Fund and Local Street Fund are used to account for the resources of state gas and weight tax revenues that are restricted for use on major streets and local streets, respectively.

Property Taxes

Properties are assessed as of June 30, and the related property taxes become a lien on June 1 of the following year. These taxes are due on September 14 after which they are added to the County tax roll. The delinquent real property taxes of the Village are purchased by the County of Sanilac. The County sells tax notes, the proceeds of which are used to pay the Village for these taxes. These taxes have been recorded as revenue for the current year.

(Continued)

**VILLAGE OF APPEGATE, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005
(CONTINUED)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide statement of net assets. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. In accordance with the provisions of GASB 34, the Village has elected to capitalize the cost of governmental fund infrastructure assets after the implementation date of GASB 34. Prior acquisitions or construction costs of infrastructure assets will not be recorded. Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Infrastructure - Roads	20 years
Vehicles - Fire	15 years
Equipment	10 years
Buildings	40 years
Building Improvements	20 years

Budgets

Annual budgets are approved prior to the beginning of the fiscal year and are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at year end. The Village does not utilize encumbrance accounting.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Cash and Cash Equivalents

For presentation on the financial statements, investments in cash management pools and investments with an original maturity of three months or less at the time they are purchased by the Village are considered to be cash equivalents.

Investments

Investments with an initial maturity of more than three months are reported as investments.

**VILLAGE OF APPLGATE, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005
(CONTINUED)**

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – BUDGET VIOLATIONS:

P.A. 621 of 1978, section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. The legal level of budgetary control adopted by the governing body is the department level.

In the financial statements, the Village's actual expenditures and budgeted expenditures have been shown on a department basis. The approved budgets of the Village for these budgetary funds were adopted at the departmental level.

During the year ended March 31, 2005, the Village incurred expenditures in certain budgetary funds which were in excess of the amount appropriated, as follows:

FUND	<u>AMOUNT APPROPRIATED</u>	<u>AMOUNT OF EXPENDITURES</u>	<u>BUDGET VARIANCE</u>
General Fund:			
General Government	\$ 63,000	\$ 68,370	\$ 5,370
Public Safety	15,500	54,400	38,900
Community Hall	4,000	13,416	9,416

NOTE 3 – DEPOSITS AND INVESTMENTS:

Michigan Compiled Laws, Section 129.91, authorizes a local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

(Continued)

**VILLAGE OF APPLGATE, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005
(CONTINUED)**

NOTE 3 – DEPOSITS AND INVESTMENTS: (Continued)

The Village's cash accounts consist of various interest bearing checking accounts and certificates of deposit. As of March 31, 2005, the carrying amount of the Village's deposits was \$302,765 and the bank balance was \$303,129.

The Governmental Accounting Board (GASB) Statement No. 3 risk disclosure for the Village's cash deposits are as follows:

Nonrisk Categorized

<u>DESCRIPTION</u>	<u>GENERAL FUND</u>	<u>MAJOR STREET</u>	<u>LOCAL STREET</u>	<u>TOTAL</u>
Checking Account	\$ 54,680	\$ 50,314	\$ 32,855	\$ 137,849
Certificates of Deposit	-	103,910	61,370	165,280
TOTAL	<u><u>\$ 54,680</u></u>	<u><u>\$ 154,224</u></u>	<u><u>\$ 94,225</u></u>	<u><u>\$ 303,129</u></u>

	<u>Carrying Amount</u>
Insured (FDIC)	\$ 100,000
Uninsured	203,129
Total Deposits	<u><u>\$ 303,129</u></u>

**VILLAGE OF APPLGATE, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005
(CONTINUED)**

NOTE 4 – CAPITAL ASSETS:

Capital asset activity for the current year was as follows:

	APRIL 1, 2004 BEGINNING BALANCE	ADDITIONS	DISPOSALS AND ADJUSTMENTS	MARCH 31, 2005 ENDING BALANCE
<u>PRIMARY GOVERNMENT</u>				
Capital Assets Being Depreciated				
Buildings	\$ 40,740	\$ -	\$ -	\$ 40,740
Equipment	14,500	32,690	-	47,190
Infrastructure	-	35,536	-	35,536
Vehicles	183,115	-	-	183,115
Total Capital Assets Being Depreciated	<u>238,355</u>	<u>68,226</u>	<u>None</u>	<u>306,581</u>
Less Accumulated Depreciation for:				
Building	23,748	1,062	-	24,810
Equipment	1,700	4,719	-	6,419
Infrastructure	-	1,777	-	1,777
Vehicles	95,307	12,207	-	107,514
Total For Accumulated Depreciation	<u>120,755</u>	<u>19,765</u>	<u>None</u>	<u>140,520</u>
Governmental Activity Capital Assets - Net	<u>\$ 117,600</u>	<u>\$ 48,461</u>	<u>\$ None</u>	<u>\$ 166,061</u>

Depreciation expense was charged to programs of the Village as follows:

General Government	\$ 386
Public Safety	17,602
Public Works	1,777
	<u>\$ 19,765</u>

**VILLAGE OF APPLGATE, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005
(CONTINUED)**

NOTE 5 – ACCOUNTS PAYABLE:

On September 20, 2004 the Village contracted with the Sanilac County Road Commission to pulverize and pave 1440 feet of Clara Street for a project cost of \$35,536. Though the job was materially completed by the year end, it was not billed by the Road Commission until September, 2005.

\$35,536 is shown as a capital asset and accounts payable on the statement of net assets. \$1,777 of depreciation expense is reported on the statement of activities. The \$35,536 is also shown as accounts payable on the balance sheet – governmental funds and as capital outlay on the statement of revenues, expenditures and changes in fund balance.

NOTE 6 – LONG-TERM DEBT:

On November 6, 2003, the Village financed \$48,000 of the purchase of a 1992 Mack fire truck through Exchange State Bank. The financing requires 60 monthly payments of \$889 including interest at 4.25% beginning December, 2003.

	<u>BALANCE APRIL 1, 2004</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>BALANCE MARCH 31, 2005</u>
Exchange State Bank	\$ 45,113	\$ -	\$ 8,955	\$ 36,158
Total	<u>\$ 45,113</u>	<u>\$ None</u>	<u>\$ 8,955</u>	<u>\$ 36,158</u>

Annual debt service requirements to maturity for the financing with Exchange State Bank are as follows at March 31:

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2006	\$ 9,317	\$ 1,356
2007	9,721	953
2008	10,142	532
2009	6,978	111
	<u>\$ 36,158</u>	<u>\$ 2,952</u>

**VILLAGE OF APPEGATE, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005
(CONTINUED)**

NOTE 7 – NET ASSETS/FUND BALANCE – RESERVED:

The Village earmarks General Fund monies for specific purposes. The restricted balances at March 31, 2005 are as follows:

Fire	\$ 273
Village Hall	3,634
Total	<u>\$ 3,907</u>

NOTE 8 - RISK MANAGEMENT:

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Village continues to carry commercial insurance for risks of loss. The Village does not provide employee health or life insurance coverage. The Village does provide workers compensation insurance coverage.

NOTE 9 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND EQUITY:

For the year ending March 31, 2005, the Village has implemented (GASB) Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. It creates new basic financial statements which now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Also the statement requires a management's discussion and analysis letter to offer readers a narrative of the financial statements.

As a result of implementing GASB Statement No. 34, net assets were restated at April 1, 2004 as follows:

Fund Balance - Governmental Funds - April 1, 2004 (restated)	\$ 288,727
Capital Assets - Net	117,600
Long-Term Debt	(45,113)
Net Assets - April 1, 2005	<u>\$ 361,214</u>

**VILLAGE OF APPLGATE, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005
(CONTINUED)**

NOTE 10 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

The General Fund's fund balance and the net change in fund balance differ from net assets and change in net assets reported in the statement of net assets and statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the economic focus of the statement of the General Fund balance sheet and statement of revenue, expenditures, and changes in fund balance. The following is a reconciliation of fund balance to net assets and the net change in fund balance to the net change in net assets:

Total Fund Balance - Modified Accrual Basis

\$ 272,230

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental fund. Capital assets at year end consist of:

Capital asset cost

\$ 306,581

Capital asset accumulated depreciation

(140,520)

166,061

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental fund. Long-term liabilities at year end consist of:

Exchange State Bank

(36,158)

Total Net Assets - Full Accrual Basis

\$ 402,133

(Continued)

**VILLAGE OF APPELGATE, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005
(CONTINUED)**

NOTE 10 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS: (Continued)

Net Change in Fund Balances - Modified Accrual Basis

\$ (16,496)

Total change in net assets reported for governmental activities in the statement of activities is difference because:

The governmental fund reports capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Current year depreciation expense

\$ (19,765)

Capital outlays reported in the governmental fund

68,226

Net differences

48,461

Repayment of loans is an expenditure in governmental funds but reduces long-term liabilities in the statement of net assets.

8,954

Change in Net Assets of Governmental Activities - Full Accrual Basis

\$ 40,919

REQUIRED SUPPLEMENTARY INFORMATION

**VILLAGE OF APPLGATE, MICHIGAN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2005**

	ORIGINAL/ FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:			
Taxes:			
Current taxes	\$ 39,000	\$ 34,845	\$ (4,155)
Charges for Services:			
Fire contracts	21,600	17,650	(3,950)
Fire runs	12,000	12,200	200
Refuse collection	-	8,616	8,616
Mowing	-	300	300
Hall rental	-	1,886	1,886
Total Charges for Services	33,600	40,652	7,052
Intergovernmental			
State	29,000	28,530	(470)
County	-	5,986	5,986
Total Intergovernmental	29,000	34,516	5,516
Interest	500	420	(80)
Other Revenue:			
FEMA grant	-	30,568	30,568
Miscellaneous	500	3,850	3,350
Total Other Revenue	500	34,418	33,918
TOTAL REVENUES	102,600	144,851	42,251
EXPENDITURES:			
General Government			
Salaries	13,700	14,604	(904)
Office supplies	700	967	(267)
Legal	1,000	577	423
Printing and publishing	500	579	(79)
Insurance	22,000	22,798	(798)

(Continued)

**VILLAGE OF APPLGATE, MICHIGAN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2005
(CONTINUED)**

	<u>ORIGINAL/ FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
EXPENDITURES: (Continued)			
General Government (Continued)			
Trash removal	\$ 10,300	\$ 10,705	\$ (405)
Payroll taxes	3,500	2,249	1,251
Grass	2,900	8,216	(5,316)
Heat	1,000	979	21
Telephone	400	505	(105)
Street lights	4,000	3,875	125
Maintenance	2,000	523	1,477
Miscellaneous	1,000	3,512	(2,512)
Total General Government	<u>63,000</u>	<u>70,089</u>	<u>(7,089)</u>
Public Safety:			
Fire Protection:			
Volunteer fireman wages	8,000	6,487	1,513
Education	1,000	657	343
Vehicle fuel	850	1,047	(197)
Repairs and maintenance	1,000	8,540	(7,540)
Health	150	-	150
Miscellaneous	2,500	1,298	1,202
Law Enforcement	-	3,679	(3,679)
Total Public Safety	<u>13,500</u>	<u>21,708</u>	<u>(8,208)</u>
Community Hall:			
Electric	4,000	3,505	495
Heat	-	1,713	(1,713)
Supplies	-	7,998	(7,998)
Other	-	200	(200)
Total Community Hall	<u>4,000</u>	<u>13,416</u>	<u>(9,416)</u>
Capital Outlay	2,000	68,226	(66,226)
Debt service	11,000	8,955	2,045
TOTAL EXPENDITURES (Continued)	<u>93,500</u>	<u>182,394</u>	<u>(88,894)</u>

**VILLAGE OF APPLGATE, MICHIGAN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2005
(CONTINUED)**

	<u>ORIGINAL/ FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 9,100	\$ (37,543)	\$ (46,643)
FUND BALANCE - BEGINNING OF YEAR	61,340	61,340	-
FUND BALANCE - END OF YEAR	<u>\$ 70,440</u>	<u>\$ 23,797</u>	<u>\$ (46,643)</u>

**VILLAGE OF APPLGATE, MICHIGAN
BUDGETARY COMPARISON SCHEDULE
MAJOR STREET FUND
FOR THE YEAR ENDED MARCH 31, 2005**

	ORIGINAL/ FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:			
Intergovernmental	\$ 22,800	\$ 28,230	\$ 5,430
Interest	200	1,725	1,525
TOTAL REVENUES	<u>23,000</u>	<u>29,955</u>	<u>6,955</u>
EXPENDITURES:			
Street maintenance:			
Snow removal	8,000	9,130	(1,130)
Repairs and maintenance	14,400	2,249	12,151
Supplies	500	170	330
Wages	100	100	-
TOTAL EXPENDITURES	<u>23,000</u>	<u>11,649</u>	<u>11,351</u>
Excess of Revenues Over (Under) Expenditures	<u>None</u>	<u>18,306</u>	<u>18,306</u>
Fund Balance - Beginning of Year	135,910	135,910	-
Fund Balance - End of Year	<u>\$ 135,910</u>	<u>\$ 154,216</u>	<u>\$ 18,306</u>

**VILLAGE OF APPLGATE, MICHIGAN
BUDGETARY COMPARISON SCHEDULE
LOCAL STREET FUND
FOR THE YEAR ENDED MARCH 31, 2005**

	ORIGINAL/ FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:			
Intergovernmental			
Interest	\$ 7,250	\$ 8,585	\$ 1,335
	150	1,035	885
TOTAL REVENUES	<u>7,400</u>	<u>9,620</u>	<u>2,220</u>
EXPENDITURES:			
Street maintenance:			
Snow removal	2,700	4,415	(1,715)
Repairs and maintenance	34,400	2,364	32,036
Supplies	200	-	200
Wages	100	100	-
TOTAL EXPENDITURES	<u>37,400</u>	<u>6,879</u>	<u>30,521</u>
Excess of Revenues Over (Under) Expenditures	<u>(30,000)</u>	<u>2,741</u>	<u>32,741</u>
Fund Balance - Beginning of Year	91,476	91,476	-
Fund Balance - End of Year	<u>\$ 61,476</u>	<u>\$ 94,217</u>	<u>\$ 32,741</u>